

Senate Budget and Fiscal Review—Denise Moreno Ducheny, Chair
SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1

Chair, Jack Scott
Member, Bob Margett
Member, Joe Simitian

Friday, May 18, 2007
9:30 a.m.
Room 112, State Capitol

AGENDA – PART B

VOTE ONLY

6110	Child Development Programs
6120	California State Library
6420	California Postsecondary Education Commission
6440	University of California
6610	California State University
7980	California Student Aid Commission

HIGHER EDUCATION

6120	California State Library
6440	University of California
6610	California State University
7980	California Student Aid Commission

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#	Item	Issue	Description	Staff Recommendation	Language	(000's)	Comments
CHILD DEVELOPMENT AND HIGHER EDUCATION (VOTE ONLY)							
1	6110-196-0001 6110-196-0890	<i>May Revision:</i> California Department of Education, Child Development Federal Quality Programs (Issue 360)	Shift \$200,000 in one-time federal funding for the Trustline registration program to development of preschool standards; Dept. of Social Services reports it has sufficient resources for the Trustline program	Approve May Revision	Per May Revision	0,000	New Issue
2	6110-196-0001 6110-196-0890	<i>May Revision:</i> California Department of Education, CalWORKS Stage 2 and 3 Child Care (Issue 368)	Increases expenditure authority in 2007-08 by \$13.4 million; funds come from prior year child care program savings.	Approve May Revision	Per May Revision	0,000	Technical Issue
3	6110-196-0001 6110-494	<i>May Revision:</i> California Department of Education, CalWORKS Stage 2 and Stage 3 Child Care (Issue 366)	Decrease the net amount of funds available from 2005 and 2006 for expenditure in the Stage 2 and Stage 3 Child Care programs in 2007-08.	Approve May Revision	Per May Revision	0,000	Technical Issue
4	6110-197-0890	<i>April Revision:</i> California Department of Education, 21st Century Learning Centers Program (Issue 354)	Increases expenditure authority in 2007-08 by \$57.2 million; funds come from prior year savings in the federally-funded 21st Century Program	Approve April Revision	Per April Letter	0,000	New Issue
5	6110-549-0001 6110-649-0001	<i>May Revision:</i> California Department of Education, After School Education and Safety Program (Issue 373)	Shift \$341,000 from the program to state operations to provide technical assistance and support services to program participants.	Approve May Revision	No	0,000	Technical Issue
6	6110-649-0001	<i>May Revision:</i> California Department of Education, After School Education and Safety Program (Issue 371)	Reappropriate \$1.5 million in unexpended After School funds from 2006-07 for technical assistance.	Approve May Revision	No	0,000	Technical Issue
7	6120-011-0001	<i>Governor's Budget:</i> California State Library, State Operations	Governor's Budget provides \$52,000 augmentation for first phase of Integrated Library System Replacement Project; Issue/Budget heard by Subcommittee on April 17th	Approve As Budgeted	No	0,000	Issue previously heard by committee on April 17th

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8	6120-150-0001	<i>Governor's Budget:</i> California State Library, California Civil Liberties Public Education Program	No changes proposed	Approve As Budgeted	No	0,000	No changes proposes
9	6420-001-0001 CPEC	<i>Governor's Budget:</i> California Postsecondary Education Commission (CPEC)	Baseline budgetary adjustments to CPEC's budgets; Inclusion of provisional Language related to development of new faculty compensation methodology; Inclusion of language prioritizing CPEC's functions	Approve dollars as Budgeted; Delete language related to faculty compensation methodology and the prioritization of CPEC's functions.	No	0,000	Language proposed by Administration related to development of new faculty salary methodology and the prioritization of CPEC's functions is more appropriate to separate stand-alone legislation than trailer bill; Issue previously heard by committee on April 17th
10	6440-001-0234 University of California	<i>May Revision:</i> Tobacco Research Adjustment (Issue 430)	May Revision Increases funding for tobacco-related research by \$2 million on a one-time basis.	Approve As Budgeted	Per May Revision	0,000	Technical Issue
11	6440-001-0001 UC	<i>January Budget:</i> General Fund Support	Governor's budget provides 4% (\$116.7 million) General Fund augmentation	Approve As Budgeted	No	0,000	Issue previously heard by committee on March 27th
12	6440-001-0001 UC	<i>January Budget:</i> Enrollment Growth and new Marginal Cost funding rate	Governor's budget provides funding to support growth of 2.5% in student enrollments at the UC; Additional funding (\$570,000) is provided for 38 FTES in the PRIME program to increase enrollments in Medical Schools	Approve 2.5% enrollment growth at rate reflecting legislature's previously-approved marginal cost methodology; Approve \$570,000 for PRIME Program	Revised BBL	-1,450	Enrollment growth issue previously heard by committee on March 27th. Staff, LAO, Admin., UC, and CSU worked last year to resolve issues related to a proposal by the Administration for a new marginal cost proposal. At that time, the Legislature made a series of concessions and a per-FTES figure was adopted in the CY Budget Act, based on that methodology. Staff recommends that the methodology used to establish the per-FTES costs in the current year continue to be used.
13	6440-001-0001 UC	<i>January Budget:</i> Labor Research and Education Programs	Governor's budget provides deletes all funding (\$6 million) for labor-related research and education programs.	Augment by \$6 million to restore program funding	Yes	6,000	Issue previously heard by committee on March 27th

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14	6440-004-0001 UC	<i>January Budget:</i> UC Merced	Budget continues to provide ongoing support and start up costs for the Merced Campus	Approve As Budgeted	No	0,000	Issue previously heard by committee on March 27th
15	6440-304-6048 UC	<i>January Budget:</i> Capital Outlay, Telemedicine/PRIME Facilities	Governor's budget proposes to "lump sum" appropriate \$199 million available through Proposition 1D (2006) for telemedicine facilities at UC	Amend appropriation to allocate dollars on a project-by-project basis; only appropriate amount needed for 2007-08	Revised BBL	0,000	Issues previously heard by subcommittee on May 1st
16	6610-001-0001 California State University	<i>January Budget:</i> General Fund Support	Governor's budget provides 4% (\$108.7 million) General Fund augmentation	Approve As Budgeted	No	0,000	Issue previously heard by committee on April 17th
17	6610-001-0001 CSU	<i>January Budget:</i> Enrollment Growth and new Marginal Cost funding rate	Governor's budget provides funding to support growth of 2.5% in student enrollments at the CSU.	Approve 2.5% enrollment growth at rate reflecting legislature's previously-approved marginal cost methodology.	Revised BBL	-1,061	Enrollment growth issue previously heard by committee on April 17th. Staff, LAO, Admin., UC, and CSU worked last year to resolve issues related to a proposal by the Administration for a new marginal cost proposal. At that time, the Legislature made a series of concessions and a per-FTES figure was adopted in the CY Budget Act, based on that methodology. Staff recommends that the methodology used to establish the per-FTES costs in the current year continue to be used.
18	6610-001-0001 CSU	<i>May Revision:</i> Increased Funding for Undergraduate Nursing Enrollments (Issue 408)	Governor's May Revision provides \$3.6 million for an additional 340 full-time equivalent baccalaureate degree nursing students at the CSU. Under the Governor's proposal, these students would be funded at the full cost of instruction.	Approve May Revision	Per May Revision	0,000	Issue previously heard by committee on May 1st
19	6610-401 CSU	<i>January Budget:</i> Provisional Language Bond Funds	Budget contains pro forma provisional language related to the encumbrance of GO bond funds	Approve As Budgeted	AAB	0,000	Technical Issue

#	Item	Issue	Description	Staff Recommendation	Language	(000's)	Comments
20	7980-101-0001 CA Student Aid Commission	<i>May Revision:</i> Cal Grant Baseline Adjustments (Budget Year Issue 084; Current Year Issue 084)	May Revision makes a baseline reduction of \$23 million in the current year and a \$42 million baseline reduction for 2007-08 to the amount of funding needed for the Cal Grant program due to revised caseload.	Approve May Revision	No	0,000	New Issue
21	7980-101-0001 CA Student Aid Commission	<i>May Revision:</i> APLE Baseline Adjustments (Budget Year Issue 085; Current Year Issue 085)	May Revision makes a baseline reduction of \$1.3 million in the current year and a \$2.5 million increase for 2007-08 to the amount of funding needed for the Assumption Program of Loans for Education (APLE) due to revised caseload estimates.	Approve May Revision	BBL per May Revision Proposal	0,000	Technical Issue
22	7980-101-0001 Student Aid Commission	<i>May Revision:</i> State Nursing Assumption Program of Loans for Education and Nurses in State Facilities APLE Warrants (Issue 094)	May Revision adds provisional language to the SNAPLE item authorizing the "carryover" of unused warrants in the current year.	Deny May Revision; adopt alternative language authorizing 100 new SNAPLE loan assumption warrants and 100 new SNAPLE-State Facility loan assumption warrants, without restriction	Revised BBL	0,000	Issue previously heard by committee on April 17th
23	7980-101-0001 Student Aid Commission	<i>Governor's Budget:</i> APLE Set-Aside of Governor's Math/Science Teacher Initiative	Governor's Budget sets aside 600 APLE warrants for the exclusive use of the UC and CSU in recruiting math and science teachers.	Deny Governor's proposal.	Delete provisional language setting aside 600 warrants	0,000	Issue previously heard by subcommittee on April 17th

#	Item	Issue	Description	Staff Recommendation	Language	(000's)	Comments
HIGHER EDUCATION (DISCUSSION ITEMS)							
24	6120-221-0001 California State Library	<i>Governor's Budget:</i> Public Library Foundation	Governor's Budget provides \$21.3 million for the Public Library Foundation; Subcommittee augmented amount by \$52,000 at April 17th	Augment by \$2 million	No	0,000	Issue previously heard by committee on April 17th
25	6440-001-0001 UC	<i>January Budget:</i> Student Fee Increase	Governor's budget increases fees by 7%	Approve As Budgeted	No	0,000	Issue previously heard by committee on March 27th
26	6610-001-0001 CSU	<i>January Budget:</i> Student Fee Increase	Governor's budget increases fees by 10%	Approve As Budgeted	No	0,000	Issue previously heard by committee on April 17th
27	7980-101-0001 7980-001-0001	<i>New Issue:</i> Public Interest Attorney Loan Repayment Program	Program established in statute in 2001. Student Aid Commission never received funding or authority to enact the program	Approve authority for 100 new loan assumption warrants; \$100,000 and 1.0 position to begin administering program	BBL specifying authority for warrants	100	Issue previously heard by committee on April 17th
28	7980-001-0001 7980-001-0784 Student Aid Commission	<i>May Revision:</i> Shift funding for State Operations from EdFUND to the General Fund	May Revision proposes \$15.4 million General Fund to support the ongoing operations of the Student Aid Commission	Adopt May Revision	Per May Revision		New Issue
29	7980-101-0001 Student Aid Commission	<i>May Revision:</i> Shift funding for California Student Opportunity and Access Program (Cal-SOAP) from EdFUND to the General Fund	May Revision proposes \$5 million General Fund to support the ongoing operations of the Student Aid Commission; this represents a reduction of \$3.6 million from the current level of support the program has been receiving from EdFUND Student Loan Operating Fund dollars	Approve May Revision Shift to General Fund; Augment by \$3.6 million to ensure that Cal-SOAP program is held harmless; Adopt Budget Bill Language	Revised Language	3,567	New Issue

**BUDGET BILL LANGUAGE:
UC ENROLLMENT GROWTH**

Amend Provision 13 of Item 6440-001-0001:

Of the funds appropriated in Schedule (1), ~~\$54,380,000~~ \$52,930,000 is to fund 5,000 additional state-supported full-time equivalent (FTE) students at the University of California (UC), based on a marginal General Fund cost of ~~\$10,876~~ \$10,586 per additional student. This funding rate is based on a methodology for determining the marginal cost of each additional state-supported student, as adopted by the Legislature for the 2006-07 budget. This methodology calculates a total marginal cost (including operation and maintenance costs and faculty costs based on the salaries of recently hired professors) and then subtracts from this cost the fee revenue the university anticipates from each additional student (after adjusting for financial aid), in order to determine the amount of General Fund support needed from the state. It is the intent of the Legislature that enrollment growth funding provided to the university in subsequent budgets be based on this specific methodology.

The Legislature expects ~~the University of California~~ UC to enroll a total of 198,455 state-supported FTE students during the 2007-08 academic year. This enrollment target does not include nonresident students and students enrolled in non-state-supported summer programs. The ~~University of California~~ UC shall report to the Legislature by March 15, 2008, on whether it has met the 2007-08 enrollment goal. For purposes of this provision, enrollment totals shall only include state-supported students. If ~~the University of California~~ UC does not meet its total state-supported enrollment goal by at least 250 ~~(FTE)~~ students, the Director of Finance shall revert to the General Fund by April 1, 2008, the total amount of enrollment funding associated with the total share of the enrollment goal that was not met.

**BUDGET BILL LANGUAGE:
UC MIGUEL CONTRERAS LABOR PROGRAM**

Add the following provision to Item 6440-001-0001:

X. Of the funds appropriated in Schedule (1), \$6,000,000 shall be used to support research on labor and employment and labor education throughout the University of California system. Of these funds, 60 percent shall be for labor research, and 40 percent shall be for labor education.

REVISED 6440-304-6048 AS FOLLOWS:

6440-304-6048—For capital outlay, University of California, payable from the 2006 Higher Education Capital Outlay Bond Fund	\$60,600,000
Schedule:	
Davis:	
(1) 99.03.365 –Telemedicine Resource Center and Rural-PRIME Facility-Preliminary plans, working drawings, construction, equipment.....	35,000,000
Los Angeles:	
(2) 99.04.270-Telemedicine and PRIME Facilities Phase 1-Equipment	19,700,000
San Francisco:	
(3) 99.02.155-Telemedicine and PRIME-US Education Facilities- Preliminary plans, working drawings, equipment.....	5,900,000

Provisions:

1. If savings are identified in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, those savings may be used for the following purposes: (a) to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only; (b) to proceed further with the underground tank corrections program; (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting; (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990; or (e) to fund minor capital outlay projects.

No later than March 1 of each year, the University of California shall provide the Legislative Analyst with a progress report showing the identified savings by project, and the purpose for which the identified savings were used.

No later than November 1 of each year, the University of California shall prepare a report showing (a) the identified savings by project and (b) the purpose for which the identified savings were used. This report shall be submitted to the Chair of the Joint Legislative Budget Committee and to the chairs of the fiscal committees in each house.
2. The funds provided under this item shall be available for expenditure only if the University of California requires the payment of prevailing wage rates by the contractors and subcontractors on all projects in this item and on all other capital outlay projects undertaken by the University of California that are funded using nonstate funds or are otherwise not financed with the funds appropriated in this item. This requirement shall represent a moratorium on granting further exceptions to paying prevailing wage rates until June 30, 2008.

ADD 6440-305-6048 AS FOLLOWS:

6440-305-6048—For capital outlay, University of California, payable from
the 2006 Higher Education Capital Outlay Bond Fund \$70,000,000

Irvine:

(1) 99.09.380-Telemedicine/PRIME-LC Facility-Preliminary
plans, working drawings, construction, equipment 35,000,000

San Diego:

(2) 99.06.395-Telemedicine and PRIME-HEq Education
Facility-Preliminary plans, working drawings, construction,
equipment.....35,000,000

Provisions:

1. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the University of California may proceed with any phase of any project identified in the above schedule, including preparation of preliminary plans, working drawings, construction, or equipment purchase, without the need for any further approvals.
2. The University of California shall complete each project identified in the above schedule within the total funding amount specified in the schedule for that project. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the budget for any project to be funded from this item may be augmented by the University of California within the total appropriation made by this item, in an amount not to exceed 10 percent of the amount appropriated for that project. No funds appropriated in this item for equipment may be used for an augmentation under this provision, or be augmented from any other funds appropriated in this item. This condition does not limit the authority of the University of California to use nonstate funds.
3. The University of California shall complete each project identified in the above schedule without any change to its scope. The scope of a project, in this respect, means the intended purpose of the project as determined by reference to the following elements of the budget request for that project submitted by the University of California to the Department of Finance: (a) the program elements related to project type, and (b) the functional description of spaces required to deliver the academic and supporting programs as approved by the Legislature.
4. Notwithstanding any other provision of law, the appropriation made by this item is available for encumbrance until June 30, 2009, except that the funds appropriated for construction only must be bid by June 30, 2008, and are available for expenditure until June 30, 2009, and that the funds appropriated for equipment purposes are available for encumbrance until June 30, 2010. For the purposes of encumbrance, funds appropriated for construction management and project contingencies purposes, as well as any bid savings, shall be deemed to be encumbered at the time a contract for that purpose is awarded; these funds also may be used to initiate consulting contracts necessary for management of the project during the liquidation period. Any savings identified at the completion of the project also may be used during the liquidation period to fund the purposes described in Provision 5.
5. Identified savings in a budget for a capital outlay project, as appropriated in this item, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used without further approval: (a) to augment

projects consistent with Provision 2, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, (d) to proceed with the design and construction of projects to meet requirements under the Federal Americans with Disabilities Act of 1990, or (e) to fund minor capital outlay projects.

6. No later than December 1 of each year, the University of California shall submit a report outlining the expenditure for each project of the funds appropriated by this item to the Chairperson of the Joint Legislative Budget Committee, the chairpersons of the fiscal committees of each house of the Legislature, the Legislative Analyst, and the Director of Finance. The report also shall include the following elements: (a) a statement of the identified savings by project, and the purpose for which the identified savings were used; (b) a certification that each project as proceeding or as completed, has remained within its scope and the amount funded for that project under this item; and (c) an evaluation of the outcome of the project measured against performance criteria.
7. The project identified in Schedule (1) may utilize design-build construction consistent with practices, policies, and procedures of the University of California.

**BUDGET BILL LANGUAGE:
CSU ENROLLMENT GROWTH**

Amend Provision 7 of Item 6610-001-0001:

Of the funds appropriated in Schedule (1), ~~\$65,478,000~~ \$64,417,000 is to fund 8,355 additional state-supported full-time equivalent (FTE) students ~~(FTES)~~ at the California State University (CSU), based on a marginal General Fund cost of ~~\$7,837~~ \$7,710 per additional student. This funding rate is based on a methodology for determining the marginal cost of each additional state-supported student, as adopted by the Legislature for the 2006-07 budget. This methodology calculates a total marginal cost (including operation and maintenance costs and faculty costs based on the salaries of recently hired professors) and then subtracts from this cost the fee revenue the university anticipates from each additional student (after adjusting for financial aid), in order to determine the amount of General Fund support needed from the state. It is the intent of the Legislature that enrollment growth funding provided to the university in subsequent budgets be based on this specific methodology.

The Legislature expects CSU to enroll a total of 342,553 state-supported FTE students during the 2007-08 academic year. This enrollment target does not include non-resident students and students enrolled in nonstate supported summer programs. The CSU shall provide a preliminary report to the Legislature by March 15, 2008, and a final report by May 1, 2008, on whether it has met the 2007-08 enrollment goal. For purposes of this provision, enrollment totals shall only include state-supported students. If CSU does not meet its total state-supported enrollment goal by at least 450 FTES students, the Director of Finance shall revert to the General Fund by May 15, 2008, the total amount of enrollment funding associated with the total share of the enrollment goal that was not met.

Item 7980-101-0001

Provision X.

"The Student Aid Commission shall issue 100 new State Nursing Assumption Program of Loans for Education (SNAPLE) warrants pursuant to Article 1 (commencing with Section 70100) of Chapter 3 of Part 42 of the Education Code."

Provision X.

"The Student Aid Commission is authorized to issue 100 new warrants for the State Nursing Assumption Program of Loans for Education (SNAPLE) Employees of State Facilities Program pursuant to Article 2 (commencing with Section 70120) of Chapter 3 of Part 42 of the Education Code."

Provision X.

"The Student Aid Commission shall issue 100 new warrants for the Public Interest Attorney Loan Repayment Program, pursuant to Article 12 (commencing with Section 69740) of Chapter 2 of Part 42 of the Education Code."

Provision X

"Of the funds appropriated in Schedule (1), \$8,567,000 is for the California Student Opportunity and Access Program, established pursuant to Article 4 (commencing with Section 69560) and shall be available to provide financial aid awareness and outreach to students who are preparing to enter or are currently enrolled in college."